

# CHAPTER I

## INTRODUCTION

### 1.1 Background

The development of technology nowadays drives demanding fast and accurate information to accomplish goals and decision making by organizations in term of efficiency and effectiveness. This can be accomplished by an accounting information system. As mentioned by Wilkinson (1991), about accounting information system (AIS) as a framework for coordinating resources (data, materials, equipment, suppliers, personal, and funds) to convert inputs of economic data into outputs of financial information that is used to carry out activities of an entity and provide accounting information for users or parties with such interest.

According to Romney and Steinbart (2000), the accounting information system performs three important functions in any organization: 1) It collects and stores data about activities and transactions; 2) It processes data into information that is useful for making decisions; 3) It provides adequate controls to safeguard the organization's assets, including its data. As AIS functions stated by Romney and Steinbart, we can see that the accounting information system has an important role for most types of organizations to perform its operations well.

Accounting information system has several subsystems in form of transaction cycles. Transaction cycles show the accounting procedures from the data source to record and process the accounting data. According to Hall (2008), the transaction cycles are classified as three: 1) Expenditure cycle; 2) Conversion cycle; and 3) Revenue cycle. In another book, Romney and Steinbart (2000) stated

that the transaction can be classified as five basic cycles: 1) The expenditure cycle; 2) The production cycle; 3) The human resource or payroll cycle; 4) The revenue cycle; and 5) The financing cycle. Generally, the transaction cycles stated by both Hall and Romney and Steinbart are mostly similar. In the expenditure cycle explained by Hall is actually include the human resource or payroll cycle and close to the financing by Romney and Steinbart. Also, the production cycle by Romney and Steinbart is similar to the conversion cycle by Hall. Otherwise, this research will be focused on the revenue cycle.

As explained by Romney and Steinbart (2000), revenue cycle is the compilation of business activities and related information processing operations associated with income flows from distributed product or services and from cash reimbursement of those sales. The main objective of the revenue cycle is to provide products or services in proper place and time with appropriate price. Commonly the revenue cycle activities in most of all types of business include receive order, delivery order, collection of accounts receivable, and cash collection.

All business activities need cash to operating its daily operations and to be feasible in future operations. The revenue cycle is needed to accomplish the needs of viability. Revenue cycle has big impact of all business activities; therefore it needs a good internal control. A good internal control will provide reasonable assurance regarding the achievement of objectives relating to effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Similarly, the business activities such as health or medical services also require an effective and efficient revenue cycle to run its operations. Hospital is a

service company which provides health services for people who needs medical attention. It can be managed by private or by public that provides health care services to people. To best accomplish hospital's objective to provide health care services for people needs, a hospital needs to have a good accounting performance.

The objective of this research is to understand the accounting information system that is managed by RSI Ibnu Sina Padang, particularly in revenue cycle of inpatient unit; to investigate the internal control for revenue cycle in RSI Ibnu Sina; and to provide improvement recommendations for accounting information system on revenue cycle of inpatient unit in RSI Ibnu Sina Padang. Therefore, the result of this research will be useful for the management of inpatient unit and accounting department of RSI Ibnu Sina Padang in managing revenue of the hospital; helpful for improving the accounting information system on revenue cycle; as reference and directive research for subsequent research; and helpful to satisfy the health care needs.

## 1.2 Problem Statement

Based on the description above, the problems to be studied are:

1. How does RSI Ibnu Sina Padang implement the accounting information system on revenue cycle particularly in inpatient unit?
2. How does internal control of revenue cycle implement in inpatient unit of RSI Ibnu Sina Padang?

## 1.3 Research Objectives

The purposes of this study are to:

1. To understand how RSI Ibnu Sina Padang implements the accounting information system on revenue cycle particularly in inpatient unit.
2. To investigate adequate internal control of revenue cycle implemented in inpatient unit of RSI Ibnu Sina Padang.

#### **1.4 Research Benefits**

From this research, researcher expects to:

- a. For the author, this study is expected to gain the author's knowledge on revenue cycle of inpatient unit for a type C Hospital, which in this case is RSI Ibnu Sina Padang; able to understand the implementation of accounting information system in a hospital; able to understand internal control of accounting information system on revenue cycle of inpatient unit in hospital; and to gain experience in real practice for analyzing the accounting information system.
- b. For the hospital, which is RSI Ibnu Sina Padang, this research can help management and the accounting department to analyze and manage the hospital's revenue from inpatient unit. Therefore able to make decisions and actions for better efficiency and effectiveness of the hospital and to help the hospital to achieve its objective.
- c. For accounting knowledge and subsequent researchers, this research hopefully will become helpful as reference for such research regarding accounting information system and revenue cycle of inpatient unit of a hospital and other entity.

## 1.5 Writing Systematic

The remainder of this paper is structured as follows. The next section provides a brief literature review. This chapter discusses theories of accounting information system, transaction processing system, and accounting information system for hospital. The third section describes research design. This section will explain about types of research, the population and sample, type and source of data, research procedures, data collection procedures, and analysis method. The fourth section provides information about research findings and the discussion. Finally, the last section provides conclusions and recommendations of this study.

